

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

PA-01 PRS-01 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-01 AGR-05 IGA-01 CU-02

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 9771

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 0159

E.O.: 11652: GDS

TAGS: EAID, ENRG, SA, US

SUBJ: PRELIMINARY MEETING JOINT ECONOMIC COMMISSION

BEGIN SUMMARY: KING FAISAL HAS PERSONALLY APPROVED A POT-
ENTIALLY BROAD PROGRAM OF ACTION FOR THE JOINT ECONOMIC
COMMISSION. THE TECHNICAL COOPERATION AGREEMENT AND TRUST
FUND SHOULD BE SIGNED BEFORE THE FIRST MEETING OF THE
COMMISSION IN WASHINGTON NOW SET FOR FEB 26-27. AN AGRI-
CULTURAL PROGRAM, A MANPOWER PROGRAM THAT WILL INCLUDE
VOCATIONAL AND HIGHER EDUCATION, A SCIENCE PROGRAM AND A
STATISTICS PROGRAM WILL BE THE MAIN EFFORTS. THE CORPS
OF ENGINEERS IS BEING REQUESTED TO SUPERVISE THE RE-
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ORGANIZATION OF THE KEY PUBLIC WORKS DEPARTMENT AND SET

BUILDING STANDARDS.

THOUGH DISAPPOINTED THAT WE ARE INCLINED TO RAISE FEES ON PETROLEUM AND PETROLEUM PRODUCT IMPORTS, SAG IS HOPEFUL THAT THERE WILL BE A MODIFICATION OF THIS SOMETIME IN THE FUTURE. USG OR COMMISSION DIRECT INVOLVEMENT IN HYDROCARBON SECTOR INDUSTRIALIZATION HAS BEEN DOWNGRADED IF NOT ELIMINATED ALTOGETHER.

MINISTER OF STATE ABA AL KHAYL AGREED ON NEED TO INCREASE BOTH AMERICAN AND SAUDI STAFF FOR COMMISSION IN RIYADH. A DIALOGUE ON TRIANGULAR INVESTMENT HAS BEEN OPENED. END SUMMARY.

1. DURING FOUR DAYS OF DISCUSSIONS AT PRELIMINARY MEETING OF JOINT ECONOMIC COMMISSION IN JIDDA AND RIYADH JAN 4-7, ASST SEC PARSKY LEARNED THAT KING FAISAL HAD PERSONALLY JUST APPROVED A FAIRLY BROAD PROGRAM OF ACTIVITY WITH THE JOINT U.S./SAUDI ECONOMIC COMMISSION. DR. SOLIAMAN SOLAIM, STILL ACTING AS COORDINATOR FOR THE COMMISSION, CONFIRMED THAT A LETTER FROM PRINCE FAHD TO KING FAISAL OUTLINING SPECIFIC PROGRAMS HAD BEEN SIGNED BY THE KING ON JAN 5 IN TIME FOR THE MEETINGS IN RIYADH.

2. DURING DISCUSSIONS WITH MINISTER ABA AL KHAYL IN JIDDA AND RIYADH AND WITH MEMBERS OF THE SAUDI COMMISSION, AGRICULTURE AND MANPOWER PROGRAMS WERE REQUESTED AND PRELIMINARY DISCUSSIONS ON A SCIENCE PROGRAM WERE INITIATED. MORE COMPLETE DETAILS WILL BE IN SEPTTEL; FOLLOWING SUMMARY IS GIVEN:

AGRICULTURE -- THE SAUDIS DESIRE USG TO TAKE PLANNING AND MANAGEMENT RESPONSIBILITY FOR IMPROVING OPERATIONS OF THE AGRICULTURAL TRAINING CENTER AND LAUNCHING OPERATION OF AN AGRICULTURAL CENTRAL LABORATORY. THEY ALSO DESIRE HELP IN DEVELOPING LARGE SCALE FARMING IN CERTAIN AREAS; FOR A START, IN THE WADI DAWASIR REGION. (DEPUTY MINISTER TAHER OBEID SAID THAT HE HAD "FROZEN" COMMERCIAL PROPOSALS RECEIVED BY THE MINISTRY UNTIL A BLUEPRINT WAS AVAILABLE. HE EMPHASIZED THE NECESSITY FOR ONLY GOING FORWARD WITH FEASIBLE PROJECTS AND FOR CONCRETE HELP FROM THE USG.) COMMENT: IT IS CONFIDENTIAL

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HOPED THAT ANY ASSISTANCE WE OFFER WILL BE IN THE CONTEXT OF ENCOURAGING PRIVATE ENTERPRISE DEVELOPMENT BY ACTUAL PRODUCTION UNITS AS MUCH AS POSSIBLE. INFRASTRUCTURE ASSISTANCE BY THE GOVERNMENT FOR THESE JOINT VENTURE PROPOSALS ARE OF COURSE NECESSARY UNDER SAUDI CONDITIONS. END COMMENT. A THIRD RE-173 5 WAS FOR USG RECRUITING ASSISTANCE IN FILLING SENIOR STAFF POSITIONS IN THE MINISTRY. WHETHER THIS SHOULD BE DONE BY DIRECT HIRE OR UNDER THE TECHNICAL COOPERATION AGREEMENT

WAS DISCUSSED AND LEFT FOR FURTHER STUDY BY THE MINISTRY.

VOCATIONAL EDUCATION -- SAUDIS DESIRE MANAGEMENT AND DESIGN ASSISTANCE THAT WILL AMOUNT TO TURNKEY-PLUS OPERATION WITH 50 PERCENT OF SECONDARY SCHOOL GRADUATES CHanneled INTO TECHNICAL EDUCATION BY 1980. COMMENT: THE GROWTH RATE PROJECTED FOR TECHNICAL, VOCATIONAL AND ON-THE-JOB TRAINING WILL REQUIRE A VERY MASSIVE EFFORT. SAG ORIENTATION TOWARDS JOB-ORIENTED TRAINING APPEARS VERY PRACTICAL.

STATISTICS -- SAUDIS TABLED A REQUEST FOR 22 EXPERTS TO WORK ON THE CENTRAL DEPARTMENT OF STATISTICS. THE U.S. SIDE AGREED TO THIS PROPOSAL AND HOPE TO HAVE A RESPONSE WITHIN A FEW WEEKS. COMMENT: CPO ADVISOR PETER DUNCAN CONFIRMS THAT THIS PROGRAM FITS IN EXACTLY WITH THE RECOMMENDATIONS IN THE 5-YEAR PLAN. IT IS A CRITICALLY NEEDED EFFORT. HE BELIEVES THE 22 EXPERTS REQUESTED ARE IN AREAS THAT HAVE ALREADY BEEN IDENTIFIED BY HIS STAFF AS ABSOLUTELY ESSENTIAL.

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 0159

SCIENCE PROGRAM -- THE EXCELLENT NATIONAL SCIENCE FOUNDATION PROGRAM PAPER WAS NOT DISCUSSED IN DETAIL BECAUSE OF THE ILLNESS OF ONE MEMBER OF THE U.S. GROUP, DR. WILLIAM WETMORE. HE HAS REMAINED BEHIND AND WILL NEGOTIATE WITH DR. RIDAH OBEID OF RIYADH UNIVERSITY. THE PROGRAM WAS ENTHUSIASTICALLY RECEIVED IN PRIVATE.

CORPS OF ENGINEERS -- IT IS CLEAR FROM DISCUSSIONS WITH MINISTER OF STATE ABA AL KHAYL THAT A MANDATE WILL BE GIVEN THE CORPS OF ENGINEERS TO GO AHEAD WITH THE ORGANIZATION OF THE PUBLIC WORKS DEPARTMENT. THIS WILL INCLUDE TRAINING OF COUNTERPARTS, DESIGN OF MANY IF NOT ALL SAG PUBLIC BUILDINGS, AND SETTING OF STANDARDS FOR SUCH BUILDINGS AND FOR THE KING-CONFIDENTIAL

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DOM.

HYDROCARBON SECTOR -- AS EXPECTED, PETROMIN REP RAISED QUESTION OF U.S. PETROLEUM FEES AND SAID ELIMINATION OF THESE FEES WAS VERY NECESSARY IF SAG WERE TO GO AHEAD WITH FULL SCALE HYDROCARBON INDUSTRIAL PROGRAM. ASST SEC PARISKY FRANKLY OUTLINED INCLINATION OF USG, FOR CONSERVATION AND OTHER REASONS, TO RAISE SUCH FEES AT LEAST IN THE IMMEDIATE FUTURE. WHILE EXPRESSING DISAPPOINTMENT, PETROMIN REPRESENTATIVE SAID SAG WAS HOPEFUL THAT A MODIFICATION OF THIS POLICY WOULD BE POSSIBLE SOMETIME BEFORE THE KINGDOM'S INDUSTRIES START COMING ON STREAM IN 1979-1980. HE ADDED THAT BECAUSE THEY ALREADY HAD THE CAPABILITY TO EVALUATE AND GO FORWARD WITH PETROLEUM INDUSTRIAL DEVELOPMENT, U.S. GOVERNMENT COMMISSION DIRECT INVOLVEMENT IN THIS SECTOR OF INDUSTRIALIZATION WOULD PROBABLY NOT BE NECESSARY. PETROMIN REP REVEALED THAT APPARENTLY SINCE SEPTEMBER SAUDI ARABIA HAS TAKEN DECISION TO OFFER, IF REQUESTED, CRUDE OIL EXPORT COMMITMENTS TO THOSE COMPANIES PROPOSING PROJECTS IN THE PETROLEUM INDUSTRIAL SECTOR. THIS WILL NOT RPT NOT INCLUDE PROPOSALS FOR PURE REFINERIES IN THE KINGDOM. FERTILIZERS, AND PETROCHEMICAL PLANT PROPOSERS CAN REQUEST COMMITMENTS FOR CRUDE TO BE REFINED ABROAD. HE DID NOT ELABORATE. COMMENT: IN THE LONG TERM WE SEE A POSSIBILITY OF REALISTIC NEGOTIATIONS WITH SAUDI ARABIA ON THIS ISSUE OF U.S. FEES EVEN BEYOND SIMPLE CRUDE COMMITMENT IN EXHCANGE.

INVESTMENT GUARANTEE -- IN DISCUSSIONS WITH ABA AL KHAYL WHO RAISED THE SUBJECT, IT BECAME CLEAR THAT SAG IS PREPARED

TO EXCHANGE LETTERS ON INVESTMENT GUARANTEE ALONG LINES OF SEPTEMBER DISCUSSIONS IN WASHINGTON WITH OPIC REPRESENTATIVE. THEY ARE ALSO WILLING TO STUDY INFORMALLY (BUT SUGGESTED THAT EMBASSY NOT SUBMIT FORMALLY) A DRAFT INVESTMENT GUARANTEE AGREEMENT AND THIS IS BEING FURNISHED TO DR. SOLAIM. IT IS, HOWEVER, CLEAR THAT SAG IS DESIROUS OF RECIPROCAL TREATMENT OF SAUDI INVESTMENTS IN U.S. AND PROBABLY UNWILLING TO OFFER SIGNATURE ON FORMAL INVESTMENT GUARANTEE AGREEMENT. DR. SOLAIM MENTIONED 1933 COMMERCIAL TREATY AND ASKED IF IT HAD ANY SIGNIFICANCE IN THE PRESENT SITUATION? ASSISTANT SECRETARY SAID SUBJECT OF POSSIBLE NEW OR REVISED COMMERCIAL TREATY RAISED BY SAG WOULD REQUIRE FURTHER CONSIDERATION IN WASHINGTON
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WHICH WOULD BE DONE.

3. IN TWO-HOUR DISCUSSION WITH MINISTER ABA AL KHAYL JAN 6, ASST SEC PARSKY WENT OVER THE ABOVE PROGRAM IN GREAT DETAIL. IN ADDITION, MINISTER SAID THAT THE EMPHASIS SHOULD BE PLACED ON CREATING A LARGER U.S. AND SAUDI JOINT COMMISSION STAFF IN RIYADH, AND HE AGREED TO ASSIGNMENT OF OUR TO SIX NEW AMERICAN STAFF AS NEEDED. TECHNICAL COOPERATION AGREEMENT HE AGAIN CONFIRMED WAS MOVING FORWARD AND WOULD PROBABLY BE APPROVED IN A FEW DAYS. (IN AN ASIDE, DR. SULAIM ASKED IF ANY U.S. NON-DIPLOMATIC CITIZENS NOW HAVE IMMUNITIES IN THE KINGDOM? WE CAN EXPECT THIS TO BECOME A SUBJECT OF NEGOTIATIONS ONCE TCA IS APPROVED.)

4. MINISTER OF STATE FINANCE IN RESPONSE TO ASST SEC RAISING SUBJECT OF TRIANGULAR INVESTMENT, OUTLINED BRIEFLY THE SAUDI DEVELOPMENT FUND AND THE ARAB INVESTMENT FUND. BOTH WILL BE VEHICLES FOR TRIANGULAR INVESTMENT BY SAUDI ARABIA. HE AGREED TO FURNISH THE TERMS OF REFERENCE FOR THE NEW SAUDI DEVELOPMENT FUND AND SAID THAT AN OFFICIAL TO HEAD THIS FUND WAS BEING SELECTED. COMMENT: CONTINUED EMPHASIS ON USE OF AMERICAN EXPERTISE IN IMPLEMENTING SAUDI INVESTMENT IN OTHER COUNTRIES COULD BRING RICH REWARDS FOR U.S. INDUSTRY AND SUBSTANTIALLY AID THE U.S. BALANCE OF PAYMENTS.

5. DISCUSSIONS WERE HELD IN A VERY PRACTICAL ATMOSPHERE. SAUDI SIDE HAS NOW SUGGESTED THAT FIRST ACTUAL MEETING OF COMMISSION SHOULD BE HELD IN WASHINGTON ON WEDNESDAY AND THURSDAY, FEB 26-27. IT IS LIKELY THAT MINISTER ABA AL KHAYL WILL BE THE ONLY HIGH LEVEL REPRESENTATIVE FROM THE SAUDI SIDE. HOWEVER, ASST SEC PARSKY IN CONVERSATION WITH HISHAM NAZER OF THE CENTRAL PLANNING ORGANIZATION ENCOURAGED CENTRAL PLANNING MINISTER TO EXTEND HIS TRIP TO THE FAR EAST AND BE IN WASHINGTON AT THAT TIME. HE WAS UNSURE IF HE COULD BE THERE. COMMENT: THE SAUDIS WILL BE VERY SENSITIVE TO ANY POLITICAL USE WE MAKE OF THIS ECONOMIC BREAK-THROUGH. IT IS DESIRABLE

THAT ANY PUBLICITY THAT MAY OCCUR BE RESPONDED TO AS CALMLY
AND APOLITICALLY AS POSSIBLE. EMPHASIS SHOULD BE PLACED ON THE
LONG CONTINUITY IN ECONOMIC RELATIONS WITH THE KINGDOM, ALMOST
REGARDLESS OF POLITICAL DISAGREEMENT. SAUDIS AND AMERICANS, AS
ONE U.S. EDUCATED PRINCE PUT IT, BOTH HAVE EXPERIENCED THE
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